

## Message Text

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INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 IGA-02 NEA-11 L-03 NSC-10

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FM SECSTATE WASHDC

TO AMEMBASSY KHARTOUM

C O N F I D E N T I A L STATE 026629

E.O. 11652: GDS

TAGS: ECON, EFIN, IMF, SU

SUBJECT: IMF OFFICIALS VIEW OF SUDANESE ECONOMIC SITUATION

1. STATE AND AID OFFICERS MET FEB. 7 WITH MUHAMED YAQUB, IMF ECONOMIST FOR SUDAN TO DISCUSS SUDANESE FINANCIAL PICTURE AND PERFORMANCE UNDER STAND-BY. PRELIMINARY FIGURES INDICATE SUDANESE MET DECEMBER 31 BENCHMARK ON CREDIT CEILINGS. THIS WAS REVERSAL OF OCTOBER-NOVEMBER TREND AND IMF TEAM (YAQUB INCLUDED) WHICH WILL BEGIN DISCUSSIONS WITH GOS IN KHARTOUM NEXT WEEK WISHES LOOK INTO FACTORS WHICH LED TO IMPROVED PICTURE. IMF FORMAL POLICY MEETINGS WITH GOS BEGIN FEBRUARY 24, WITH TEAM RETURN TO WASHINGTON EXPECTED MARCH 8 AND ISSUANCE OF REPORT IN MAY.

2. YAQUB INDICATED IMF REPRESENTATIVE IN KHARTOUM HAD RECENTLY MAILED HIS ASSESSMENT OF DECEMBER 31 FIGURES, BUT IT HAD NOT RPT NOT YET REACHED WASHINGTON. EMBASSY MAY  
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WISH DISCUSS THIS WITH LOCAL IMF REP.

3. SHORT-TERM IMPROVEMENT (I.E., OVER NEXT YEAR) IN SUDANESE BUDGET PICTURE EXPECTED BY IMF SINCE ASSUMED RETURN OF COTTON CROP TO NORMAL LEVELS PLUS SUBSTANTIALLY INCREASED WORLD MARKET PRICES WILL GENERATE LARGE INCREASES IN REVENUE. THIS ADDITIONAL REVENUE SHOULD BE GREATER THAN INCREASED COST OF CRUDE OIL.

4. DURING DISCUSSION POSSIBLE AID PROGRAM LOAN, YAQUB AVERRED THAT SUDAN CONTINUED TO NEED ALL ASSISTANCE IT COULD GET, INCLUDING FROM AID, ITS ARAB BRETHREN AND IMF. HE DID NOT RPT NOT THINK IT LIKELY THAT PROGRAM LOAN WOULD RESULT IN DECREASED SUDANESE WILLINGNESS TO COMPLY WITH AGREEMENTS IN STAND-BY.

5. COMMENT. YAQUB IMPRESSED US AS COMPETENT ECONOMIST WHO ALSO UNDERSTANDS POLITICAL REALITIES. WE HAVE CLEAR IMPRESSION THAT VIOLATION OF LETTER OF STAND-BY AGREEMENT LESS IMPORTANT TO HIM THAN REASONABLE EFFORT TO COMPLY WITH ITS SPIRIT. FOR EXAMPLE, HE DOES NOT EXPECT FREEZE IN CURRENT EXPENDITURE LEVEL, BUT IS HOPEFUL OF GRADUAL IMPROVEMENT IN SUDANESE FINANCIAL PICTURE BY CONTINUING EFFORTS TO KEEP RATE OF GROWTH OF CURRENT EXPENDITURES BELOW RATE OF GROWTH OF REVENUES. BASED ON THIS PRELIMINARY ASSESSMENT, WE EXPECT ONGOING IMF-GOS RELATIONSHIP. KISSINGER

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